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Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTCQX)

CPKF: Deposit Base is Stable, but Funding Costs Rise

We have chosen $23.50 as our new valuation, based upon CPKF's 2024 P/E of $24.00 and forward Price/Tangible Book Value of $23.00.

Current Price (05/29/23)	$19.50
Valuation	**$23.50**

OUTLOOK

We are decreasing our diluted EPS estimate for 2023 by $0.35, from $3.45 to $3.10, an 8% fall from 2022's actual diluted EPS of $3.37, which excludes a third quarter one-time gain on the sale of a partial interest in a brokerage firm of $1.7 million aftertax, or $0.36 per diluted share. The main reasons for the reduction in our 2023 diluted EPS estimate are declines in net interest income and mortgage banking income. As to net interest income, we have sharply cut our net interest margin estimate to 3.48% from 3.65% in 2023 (and 3.72% actual in 2022) and project 3.40% in 2024, primarily due to a larger-than-expected increase in deposit funding costs, reflecting rising interest rate levels at the Fed. Positively, CPKF's deposit base held steady following the industry turmoil caused by the failures of several banks earlier in the year. The contribution from mortgage banking is estimated to decline by about $0.7 million, or 41%, in 2023 due to the impact of rising interest rates on mortgage activity. Our initial diluted EPS estimate for 2024 is $3.25, a 5% gain over our revised 2023 EPS estimate of $3.10. We expect most operations to post improvement in 2024. Loan demand growth is expected to be 6% in both 2023 and 2024, with the loan loss provision estimate flat at $750,000 for both years. CPKF raised the quarterly dividend by 7% to $0.15 per share from $0.14 per share and has raised its annual dividend payment every year for the past thirty years since 1991. In 2022 for the fifteenth consecutive year, CPKF was included in the American Banker magazine list of the "Top 200 Community Banks".

SUMMARY DATA

52-Week High	**$27.95**
52-Week Low	**$18.50**
One-Year Return (%)	**-26.65**
Beta	**0.60**
Average Daily Volume (sh)	**1,120**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$92**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.60**
Dividend Yield (%)	**3.08**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**7.7**
Earnings Per Share (%)	**13.3**
Dividend (%)	**6.4**
P/E using TTM EPS	**6.0**
P/E using 2023 Estimate	**6.3**
P/E using 2024 Estimate	**6.0**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Southeast**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	15.5 A	15.3 A	15.3 A	14.4 A	60.5 A
2022	15.5 A	16.0 A	16.6 A	15.9 A	64.0 A
2023	15.6 A	16.1 E	16.2 E	15.9 E	63.8 E
2024					66.6 E

Earnings per Share*
(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	1.08 A	0.82 A	0.78 A	0.42 A	3.11 A
2022	0.90 A	0.86 A	0.90 A	0.71 A	3.37 A
2023	0.78 A	0.80 E	0.81 E	0.71 E	3.10 E
2024					3.25 E

*Quarterly EPS may not add to total due changes in average shares outstanding.

FIRST QUARTER

CPKF's first quarter net earnings decreased $0.6 million, or 14%, year over year to $3.7 million, while 2023's first quarter diluted EPS fell by $0.12, or 14%, to $0.78 from $0.90 posted a year ago.

This was worse than our estimate, which had called for a $0.1 million increase in net earnings to $4.3 million and a $0.03 gain in diluted EPS to $0.93.

We note that last year's first quarter included a $3.5 million gain from the sale of an interest rate cap, which was offset by a $3.5 million loss on sales of securities. The first quarter in 2023 posted a $214,000 loss on securities sales.

The main factors behind the difference between actual results and our estimate were: (1) net interest income was $0.6 million less than our estimate due to a lower-than-expected net interest margin of 3.58% (versus our 3.70% estimate); (2) trust and wealth management income was $0.3 million less than projected due to a reduced level of assets under management stemming from a lower market; and (3) income from merchant services was $0.1 million less than expected. Lower revenues were partially offset by reduced expenses, including: (1) a $0.4 million decline in compensation expense and (2) a $0.2 million decrease in other miscellaneous expense.

The major reasons for the first quarter's $0.6 million, or 14%, decrease in net earnings versus the prior-year quarter were a $0.1 million, or 1%, rise in net revenues, due to a $0.1 million, or 1%, gain in net interest income (other noninterest income was flat year over year). In addition, total noninterest expense was $0.7 million more than last year's first quarter as a $0.4 million, or 7%, increase in compensation costs added to a $0.3 million, or 10%, rise in other miscellaneous expense.

We are decreasing our diluted EPS estimate for 2023 by $0.35, from $3.45 to $3.10, an 8% fall from 2022's actual diluted EPS of $3.37, which excludes a third quarter one-time gain on the sale of a partial interest in a brokerage firm of $1.7 million aftertax, or $0.36 per diluted share.

The main reasons for the reduction in our 2023 diluted EPS estimate are declines in net interest income and mortgage banking income. As to net interest income, we have sharply cut our net interest margin estimate to 3.48% from 3.65% in 2023 (and 3.72% actual in 2022), primarily due to a larger-than-expected increase in deposit funding costs, reflecting rising interest rate levels at the Fed. Positively, CPKF's deposit base held steady following the industry turmoil caused by the failures of several banks earlier in the year. The contribution from mortgage banking is estimated to decline by about $0.7 million, or 41%, in 2023 due to the impact of rising interest rates on mortgage activity.

Our initial diluted EPS estimate for 2024 is $3.25, a 5% gain over our revised 2023 EPS estimate of $3.10. We expect most operations to post improvement in 2024.

While loan demand appears solid and was stronger than expected in the first quarter, we expect some softening later in the year and have reduced our estimate of loan growth to 6% from 8%, with 6% our initial estimate in 2024, as well. Our initial net interest margin estimate for 2024 is 3.40%, 8 basis points below our 2023 estimate of 3.48%.

We are maintaining our estimates of merchant services income, trust and wealth management income, and cash management fee income for 2023 and estimating moderate increases for 2024.

On the expense side, we are maintaining most of our estimates for 2023 (the exception being compensation expense, which we have reduced slightly) and projecting moderate expense growth in 2024.

For 2023 and 2024, our estimate for the loan loss provision remains $0.7 million, the same as the loss provision in 2022. Importantly, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard, which requires "life-of-loan" estimates of losses to be recorded for unimpaired loans, has not had a material impact on loss provisions in 2023. We note, however, there were some minor retroactive changes to CPKF's capital account ($400,000) and the allowance for credit losses ($37,000) as a result of its adoption.

The provision for cash management losses, a separate line item listed under other noninterest expense, is expected to be stable at about $240,000 in both 2023 and 2024, the same as it was in 2022.

During the second quarter, CPKF expects to open another branch, this time in a retirement community in Richmond, Virginia. It is CPKF's sixth branch in a retirement community, which is attractive due to its low cost of entry, as well as being a feeder for the Company's investment management and deposit-gathering activities.

At the July 15, 2022 Chesapeake Financial Shares Board of Directors meeting, the Board raised the quarterly dividend to $0.15 per share from $0.14 per share (a 7% increase), paid on or before September 15, 2022. This follows two dividend increases in 2021. Notably, CPKF has increased the annual dividend payment every year for the past thirty years since 1991.

In 2022 for the fifteenth consecutive year, Chesapeake Financial Shares, Inc. has been included in the American Banker magazine listing of the "Top 200 Community Banks" in the United States. The bank ranked at #130 in the nation out of approximately 6,000 community banks in the study, up from #148 when CPKF first broke into the rankings in 2008. The ranking is based on a three-year average of return on average equity (ROAE), which for CPKF was 11.07%.

Below, we discuss first quarter results more fully. Our projections are shown at the back of the report.

Net Interest Income

Net interest income increased $0.1 million, or 1%, year over year in the first quarter, rising to $11.5 million ($0.5 million above our estimate), as a 1% decrease in average interest-earning assets (versus our estimate of a 1% increase) was partially offset by a 3.58% net interest margin, 5 basis points above the 3.53% earned in the year-ago quarter, but below our 3.70% estimate.

We have estimated a net interest margin of 3.48% for full-year 2023, down from 3.70% in 2022 due to higher deposit funding costs, and of 3.40% for 2024.

Noninterest Income

Noninterest income was flat year over year at $5.0 million. We note that last year's first quarter included a $3.5 million gain from the sale of an interest rate cap, which was offset by a $3.5 million loss on sales of securities. The first quarter in 2023 posted a $214,000 loss on securities sales.

Most segments posted higher results in 2023's first quarter, except trust and wealth management, hurt by market weakness, and mortgage banking, hurt by reduced activity from higher interest rates.

Our estimate for total noninterest income is $21.0 million in 2023, which compares to $19.9 million in 2022, and $22.1 million for 2024.

Loss Provision

The loan loss provision was flat at $175,000 (the same as our estimate). Loan loss reserves rose $0.6 million from $7.0 million (1.01% of loans) year over year, and grew $0.1 million sequentially from $7.5 million (1.02% of loans) to $7.6 million (0.99% of loans) as of March 31, 2023.

Including the loss allowance for cash management receivables, the total loss allowance increased $0.2 million to $9.6 million (1.21% of loans plus cash management receivables) compared with $9.4 million

(1.21% of loans plus cash management receivables) at the end of the previous quarter and was above the $8.5 million (1.18% of loans plus cash management receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF had net loan charge-offs of $38,000 in the first quarter. This is $39,000 more than the $1,000 net loan loss recovery in the year-ago quarter and compares to net loan loss recoveries of $19,000 for full-year 2022.

For 2023 and 2024, our estimate for the loan loss provision remains $0.7 million, the same as the loss provision in 2022. Importantly, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard, which requires "life-of-loan" estimates of losses to be recorded for unimpaired loans, has not had a material impact on loss provisions in 2023. We note, however, there were some minor retroactive changes to CPKF's capital account ($400,000) and the allowance for credit losses ($37,000) as a result of its adoption.

We project that the total loss allowance will decrease slightly to 1.20% of total loans plus receivables at yearend 2023 from 1.21% actual at the end of 2022 and to 1.17% by yearend 2024.

<u>Noninterest Expense</u>
Total noninterest expense was $0.7 million below last year's first quarter due to a $0.4 million decline in compensation costs and a $0.3 million reduction in miscellaneous other expense. Reflecting lower revenues and higher expenses, the efficiency ratio deteriorated, increasing to 70.1% from 66.6% in the year-ago quarter, but was better than the fourth quarter's 77.1%.

We project that compensation costs will increase from $25.6 million actual in 2022 to $26.4 million in 2023 and $27.6 million in 2024.

Our estimate of noncompensation costs in 2023 is $20.2 million, compared to 2022's $19.4 million actual.

Our estimate of the efficiency ratio is 72% in 2023 and 2024, compared to 67% actual in 2022.

<u>Income Taxes</u>
The Company had a 16.8% effective tax rate in the first quarter. This compares to a 14.3% tax rate in the year-ago quarter and our estimate of an effective tax rate of 15.0%.

For the year, we are estimating an effective tax rate of 14.0% in 2023 and 2024. This compares to a full-year effective tax rate of 12.7% in 2022.

<u>Net Income</u>
CPKF's first quarter net earnings decreased $0.6 million, or 14%, year over year to $3.7 million, while 2023's first quarter diluted EPS fell by $0.12, or 14%, to $0.78 from $0.90 posted a year ago.

This was worse than our estimate, which had called for a $0.1 million increase in net earnings to $4.3 million and a $0.03 gain in diluted EPS to $0.93.

We note that last year's first quarter included a $3.5 million gain from the sale of an interest rate cap, which was mostly offset by a $3.5 million loss on sales of securities. The first quarter in 2023 posted a $214,000 loss on securities sales.

<u>Profitability</u>
CPKF posted a 17.6% ROE and 1.11% ROA for the first quarter of 2023, compared to 15.1% and 1.25%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans outstanding increased $69 million, or about 10%, year over year, and rose $12 million, or 2%, sequentially to $760 million.

By category, cash management receivables gained $7.5 million, or 26%, to $37 million; commercial and industrial loans rose $6.6 million, or 5%, to $151 million; 1-4 family gained $4.1 million, or 2%, to $192 million; commercial real estate loans increased $3.7 million, or 1%, to $308 million; and other loans grew $3.3 million, or 10%, to $36 million. Negatively, construction and land development loans decreased $5.2 million, or 7%, to $65 million and consumer loans dropped $1.0 million, or 10%, to $8 million.

While loan demand appears solid and was stronger than expected in the first quarter, we expect some softening later in the year and have reduced our estimate of loan growth to 6% from 8%, with 6% our initial estimate in 2024, as well.

Asset quality measures worsened very slightly during the first quarter, but remained quite strong. Total nonperforming assets rose less than $0.1 million to $4.1 million from $4.0 million sequentially. Nonaccrual loans increased $0.1 million to $3.1 million, while other real estate owned was flat at $1.0 million. There were no restructured loans in the fourth and first quarters. In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, decreased 1 basis point to 0.51% of outstandings + OREO at March 31, 2023 from 0.52% of outstandings + OREO at December 31, 2022, and fell 6 basis points year over year from 0.57%.

The loss allowance as a percent of nonperforming assets decreased to 237% from 232% sequentially, as the very slight rise in nonperforming assets was offset by an increase in the loss reserve for loans plus cash management receivables.

Liquidity and Funding

Cash and equivalents increased $1 million to $27 million from $26 million at the end of the first quarter, while the securities portfolio fell $15 million to $432 million, mostly due to asset sales. By category, asset-backed securities (primarily student loans under the FFELP program) were up $6 million to $50 million, the private-label mortgage securities portfolio was up $1 million to $113 million and US government-related securities rose $1 million to $55. The municipal securities portfolio decreased $24 million to $214 million.

On a relative basis, municipal securities were 50% of the entire available-for-sale securities portfolio, the private-label mortgage securities portfolio was 26%, US government-related securities were 13%, and asset-backed securities and other were 11%.

CPKF’s liquidity ratios were relatively stable compared to the previous quarter. At March 31, 2023, liquid assets represented 6% of total assets (6% at the end of the fourth quarter) and covered purchased funds by 115% (down from 117%), while loans plus receivables accounted for 60% of total assets (59% at December 31, 2022).

Core deposits fell $12 million sequentially to $1.132 billion and funded 142% of loans and receivables.

Capital Adequacy and Dividends

The Company’s capital adequacy ratios improved during the first quarter, as growth in Tier 1 capital outpaced growth in risk-weighted assets. The Tier 1 capital ratio gained 9 basis points sequentially to 13.13% at the end of 2023’s first quarter from 13.04% at December 31, 2022, while the Total capital ratio increased 9 basis points, rising to 15.98% from 15.89%.

Total shareholders’ equity increased $10.2 million during the first quarter, as a $2.6 million advance in retained earnings was aided by a $7.7 million positive swing in accumulated other comprehensive income plus a negative $0.1 million in capital changes.

Reflecting these factors plus a 7,000 decrease in common shares outstanding, tangible book value per share increased during the first quarter, by $2.19 per share, to $18.97 from $16.78. The total equity to total assets ratio improved, increasing by 76 basis points to 6.71% from 5.95%, reflecting increases in total equity capital and in total assets. Notably, CPKF does not expect the recently enacted 1% share buyback tax (via the Inflation Reduction Act) to have a significant impact on CPKF's results or share repurchase program.

OVERVIEW

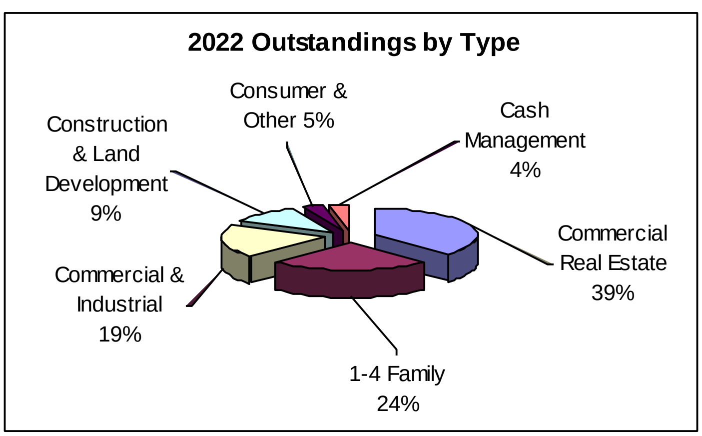
Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $1,331 million in total assets at March 31, 2023. CPKF is predominantly a small business lender with 16 branch offices that serve customers in the eastern region of Virginia between the Potomac and James Rivers. CPKF, which began as Lancaster National Bank on April 13, 1900, has a long history and strong ties with the communities it serves.

Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management, an independent wealth management firm with trust powers that manages about $431 million in assets (at 2022 yearend) through its subsidiaries involved in asset management (Chesapeake Wealth Management is a registered investment adviser), brokerage, and trust services. Other activities of the Company include Chesapeake Payment Systems, cash management program (now branded as Flexent) and its secondary market mortgage banking operation.

Chesapeake Payment Systems offers merchant processing services such as credit card and debit card processing, electronic benefits transfers, and loyalty and gift card processing to companies involved in travel, entertainment, restaurant, hospitality, retail, mail order, and e-commerce. At yearend 2022, Chesapeake Payment Systems had 893 direct merchants in its system and processed over $381 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with eight independent sales organizations (ISOs) to expand its processing footprint.

The Flexent program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash management program is currently offered in the Eastern half of the United States and had 49 customers at the end of 2022.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $304 million loan portfolio (as of December 31, 2022) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $763,000 annually) on the outstanding loan portfolio balance. Additionally, CPKF earns a pare-off fee for residential mortgage loans that are originated and closed with FHLMC, which added $916,000 to revenues in 2022 (both types of fees are included in other noninterest income in the Company's financial statements).

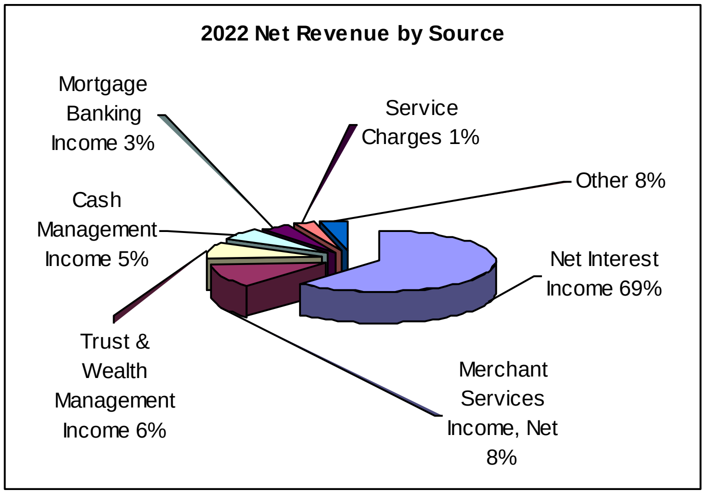


Source: Zacks Analyst

The lending portfolio is dominated by real estate loans, as shown in the chart at left. At December 31, 2022, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (24%), commercial and industrial (19%), construction and land development (9%), consumer and other (5%), and cash management (4%). A majority of loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.

At December 31, 2022, the liquidity portfolio, which consists of cash, short-term investments, federal funds sold, and US agency mortgage obligations, represented about 6% of total assets and 12% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal at 53% of the total, private label mortgage securities at 25%, and asset-backed and other securities at 10%. Core deposits represented 98% of total deposits at December 31, 2022, with certificates of deposit larger than $250,000 at 2%.

Source: Zacks Analyst



In 2022, net interest income contributed 69% of net revenue, with a significant 31% coming from noninterest income sources. Major contributors to noninterest income include merchant services income, net (8% of net revenue) trust and wealth management income (6%), cash management fee income (5%), mortgage banking income (3%), and service charges (1%).

VALUATION

CPKF stock is down 4.6% year to date, a much better performance than the 24.4% median price decline for the small-cap bank industry, but worse than the 9.5% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at an 18% discount to the industry median P/E, based upon our current CPKF EPS estimate for 2024. Assuming a small-cap bank industry valuation of 7.3X for 2024, CPKF's target price based upon our 2024 EPS estimate is about $24.00.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.03X. Assuming a similar multiple based upon our estimated book value twelve months out, our target price is about $23.00, which compares to CPKF s current book value of $18.97.

We have chosen $23.50 as our new valuation, based upon CPKF's 2024 P/E of $24.00 and forward Price/Tangible Book Value of $23.00.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2023E	EPS 2024E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**(4.6)**	**6.0**	**6.3**	**6.0**	**20.9**	**12.8**	**1.28**	**1.21**	**3.1**
S&P 500	**9.5**	**21.4**	**20.1**	**16.8**	**-----**	**-----**	**-----**	**-----**	**1.7**
Median	**(24.4)**	**6.4**	**7.0**	**7.3**	**13.0**	**11.4**	**1.13**	**1.09**	**3.5**
Average	(25.0)	6.8	7.6	7.4	13.2	11.7	1.1	1.1	3.6
High	1.0	17.0	13.0	11.5	23.4	19.4	2.1	2.0	6.3
Low	(43.4)	4.2	4.7	4.3	4.7	3.6	0.3	0.2	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E
Net interest income	27.4	29.5	33.5	41.6	44.1	42.8	44.5
Non-interest income	18.6	20.3	19.6	18.9	19.9	21.0	22.1
Total net revenue	46.0	49.8	53.1	60.5	64.0	63.8	66.6
Loan loss provision	0.5	0.5	2.0	(0.4)	0.7	0.7	0.7
Non-interest expense	33.3	36.0	37.3	43.6	45.1	46.0	47.8
Income taxes & other	1.4	1.9	2.1	2.3	2.3	2.4	2.6
Zacks adjusted income before NRI	10.8	11.4	11.7	15.0	15.9	14.7	15.5
GAAP net income	10.8	11.4	11.7	15.0	17.6	14.7	15.5
Diluted EPS before NRI	2.17	2.29	2.39	3.11	3.37	3.10	3.25
Reported EPS	2.17	2.29	2.39	3.11	3.73	3.10	3.25
Dividends per share	0.46	0.49	0.50	0.53	0.58	0.60	0.60
Liquid assets	73.1	98.0	120.2	98.8	79.6	79.7	76.6
Outstandings, gross	546.0	566.7	625.0	699.7	778.1	827.3	878.1
Total assets	854.8	958.3	1,204.7	1,385.8	1,329.0	1,338.3	1,346.6
Core deposits	702.0	799.5	984.2	1,101.6	1,144.5	1,098.8	1,055.5
Purchased funds	47.2	39.6	85.3	122.4	67.8	82.6	100.4
Long-term debt	5.2	5.2	5.2	25.2	25.2	25.2	25.2
Shareholders' equity	92.7	105.4	122.7	126.1	79.1	104.2	124.9
Profitability							
Return on avg assets	1.32%	1.22%	1.06%	1.14%	1.19%	1.10%	1.16%
Return on avg equity	12.07%	11.09%	10.27%	11.87%	18.88%	15.70%	13.57%
Net interest margin	4.10%	4.00%	3.80%	3.80%	3.70%	3.48%	3.40%
Loan loss provision % avg assets	0.06%	0.06%	0.18%	(0.03)%	0.05%	0.05%	0.05%
Noninterest income % avg assets	2.27%	2.18%	1.76%	1.44%	1.49%	1.57%	1.65%
Noninterest expense % avg assets	4.06%	3.86%	3.36%	3.32%	3.37%	3.46%	3.57%
Preprovision pretax income % avg assets	1.55%	1.48%	1.42%	1.29%	1.42%	1.34%	1.40%
Tangible efficiency ratio	73%	75%	72%	73%	67%	72%	72%
Payout ratio	21%	21%	21%	17%	16%	19%	18%
Asset Quality							
Net charge-offs % avg outstandings	0.02%	0.10%	(0.05)%	0.38%	(0.03)%	0.06%	0.07%
Allowance % outstandings	1.22%	1.18%	1.47%	1.17%	1.21%	1.20%	1.17%
NPAs % loans + OREO	1.93%	1.36%	1.11%	0.61%	0.52%	0.56%	0.62%
Allowance % NPAs	63%	86%	132%	194%	232%	212%	187%
Liquidity & Funding							
Liquid assets % purchased funds	155%	247%	141%	81%	117%	97%	76%
Core deposits % outstandings	129%	141%	157%	157%	147%	133%	120%
Liquid assets % assets	9%	10%	10%	7%	6%	6%	6%
Outstandings % assets	64%	59%	52%	50%	59%	62%	65%
Capital Adequacy							
Total equity % assets	10.85%	11.00%	10.18%	9.10%	5.95%	7.79%	9.27%
Tangible equity % assets	10.85%	11.00%	10.18%	9.10%	5.95%	7.79%	9.27%
Tier 1 capital ratio	15.04%	15.03%	14.03%	12.28%	13.04%		
Total capital ratio	16.08%	16.00%	15.20%	15.16%	15.89%		
Parent Company Statistics							
Interest coverage	8.2X	12.4X	41.2X	3.7X	4.7X	11.0X	11.0X
Interest & dividend coverage	0.6X	1.0X	2.0X	0.5X	1.1X	0.7X	0.7X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	2.7X	5.0X	4.8X	0.7X	1.3X	1.3X	1.3X
Double leverage	102.6%	102.5%	102.1%	117.5%	128.2%	111.4%	105.4%

Chesapeake Financial Shares, Inc.

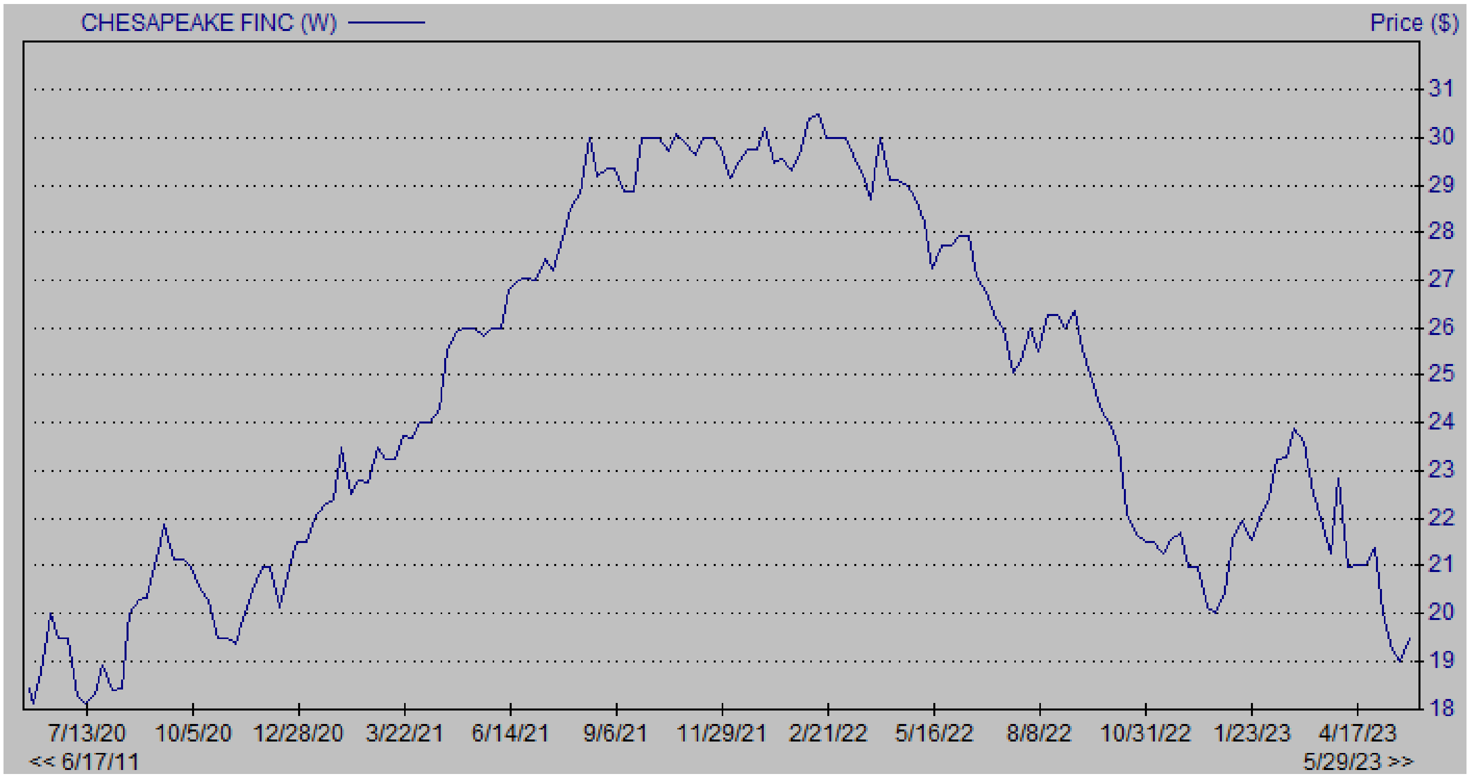
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2022				2023			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	10.5	10.8	11.3	11.5	10.6	10.7	10.8	10.8
Non-interest income	5.0	5.2	5.3	4.4	5.0	5.4	5.4	5.1
Total net revenue	15.5	16.0	16.6	15.9	15.6	16.1	16.2	15.9
Loan loss provision	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Non-interest expense	10.3	11.0	11.4	12.3	11.0	11.5	11.6	11.9
Income taxes & other	0.7	0.7	0.8	0.1	0.7	0.6	0.5	0.4
Zacks adjusted income before NRI	4.3	4.1	4.2	3.3	3.7	3.8	3.9	3.4
GAAP net income	4.3	4.1	5.9	3.3	3.7	3.8	3.9	3.4
Diluted EPS before NRI	0.90	0.86	0.90	0.71	0.78	0.80	0.81	0.71
Reported EPS	0.90	0.86	1.26	0.71	0.78	0.80	0.81	0.71
Dividends per share	0.14	0.14	0.15	0.15	0.15	0.15	0.15	0.15
Liquid assets	93.2	92.0	80.3	79.6	82.2	81.3	80.5	79.7
Outstandings, gross	719.3	734.0	751.8	778.1	797.1	807.0	817.1	827.3
Total assets	1,346.1	1,342.0	1,333.9	1,329.0	1,331.4	1,331.5	1,331.6	1,338.3
Core deposits	1,138.1	1,172.6	1,165.3	1,144.5	1,132.4	1,121.1	1,109.9	1,098.8
Purchased funds	73.0	49.0	59.7	67.8	71.3	74.9	78.6	82.6
Long-term debt	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Shareholders' equity	101.0	85.2	72.2	79.1	89.3	94.4	99.5	104.2
Profitability								
Return on avg assets*	1.25%	1.21%	1.27%	1.00%	1.11%	1.14%	1.16%	1.00%
Return on avg equity *	15.05%	17.45%	21.59	17.69%	17.56%	16.58%	15.92%	13.17%
Net interest margin*	3.53%	3.64%	3.79%	3.93%	3.58%	3.50%	3.45%	3.40%
Loan loss provision % avg assets*	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Noninterest income % avg assets*	1.48%	1.54%	1.59%	1.32%	1.51%	1.63%	1.63%	1.53%
Noninterest expense % avg assets*	3.02%	3.26%	3.42%	3.71%	3.30%	3.46%	3.49%	3.57%
Preprovision pretax inc.% avg assets*	1.51%	1.50%	1.55%	1.08%	1.39%	1.39%	1.37%	1.20%
Tangible efficiency ratio	67%	69%	70%	77%	70%	71%	72%	75%
Payout ratio	16%	16%	12%	21%	19%	19%	18%	21%
Asset Quality								
Net charge-offs % avg outstandings*	(0.02)%	(0.12)%	0.01%	(0.00)%	0.02%	0.07%	0.07%	0.07%
Allowance % outstandings	1.18%	1.22%	1.22%	1.21%	1.21%	1.21%	1.20%	1.20%
NPAs % loans + OREO	0.57%	0.49%	0.42%	0.52%	0.51%	0.53%	0.55%	0.56%
Allowance % NPAs	208%	250%	293%	232%	237%	228%	220%	212%
Liquidity & Funding								
Liquid assets % purchased funds	128%	188%	134%	117%	115%	109%	102%	97%
Core deposits % outstandings	158%	160%	155%	147%	142%	139%	136%	133%
Liquid assets % assets	7%	7%	6%	6%	6%	6%	6%	6%
Outstandings % assets	53%	55%	56%	59%	60%	61%	61%	62%
Capital Adequacy								
Total equity % assets	7.51%	6.35%	5.41%	5.95%	6.71%	7.09%	7.48%	7.79%
Tangible equity % assets	7.51%	6.35%	5.41%	5.95%	6.71%	7.09%	7.48%	7.79%
Tier 1 capital ratio	12.37%	12.47%	12.61%	13.04%	13.13%			
Total capital ratio	15.23%	15.34%	15.41%	15.89%	15.98%			

*Annualized.

HISTORICAL STOCK PRICE



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